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Questions and Answers on the Linkage Program

Q. How was linkage established?

A. In December 1983, the Boston Zoning Commission established a "linkage" mechanism under the Boston Zoning Code for the creation of low- and moderate-income housing. It did so by adopting Article 26 of the Zoning Code which requires that developers of large-scale commercial projects make payments into a fund to create affordable housing.

Q. What is the existing linkage program?

A. The current linkage formula requires developers to pay $5 per square foot for every square foot over 100,000 square feet of new or substantially rehabilitated commercial space. Payments are made in equal installments over twelve years, beginning two years after the issuance of the building permit or upon issuance of the certificate of occupancy, whichever comes first.

Q. What are the new regulations for the linkage program?

A. Article 26A is proposed to be the new housing linkage program. This new regulation reduces the payback period for downtown projects subject to linkage from twelve to seven years, and requires that payments begin at the issuance of a building permit. Neighborhood projects subject to linkage are not affected by this change. Also, under Article 26A, twenty percent of linkage payments from neighborhood projects are targeted to the neighborhood where development occurs. Ten percent of linkage payments from downtown projects are so targeted.

Article 26B proposes a fee of $1 per square foot over 100,000 square feet of new or substantially rehabilitated commercial space to be used for job training. This money will be collected in two annual installments beginning with the issuance of a building permit. Job training linkage will apply to downtown and neighborhood projects. Jobs Contribution payments may be used to create a job training program for workers who will be employed, on a permanent-basis, at the project. Alternately, twenty percent of any Jobs Contribution payments shall be reserved for the impacted neighborhood.

Q. What is the combined increase in value of linkage payments resulting from Articles 26A and 26B?

A. The stream of future linkage payments has a value today, its "present value," and that value is nearly doubled by the new regulations. To illustrate, at a 10 percent rate of discount, $5 paid in equal installments over twelve years (beginning two years after building permit) is worth $2.58 today. By comparison, $5 paid in equal installments over seven years beginning with the issuance of a building permit is worth $3.83 today. An additional stream of $1 paid in equal installments over two years beginning with the issuance of a building permit is worth 95 cents. Together these streams equal $4.78 in current dollars, a $2.20 increase in present value over the existing linkage program.

Q. Why reduce the payback period for downtown projects?

A. By shortening the housing linkage payback period for downtown projects, money will be available sooner for affordable housing. A brief look at the city's housing and demographic statistics illustrates the need for this change. Boston's median household income is 22 percent lower, and its poverty rate is 44 percent higher, than the cities it is most frequently compared with - Dallas, Denver, and San Francisco. The share of person's in "poverty status" in Boston is twice that of the metropolitan area; and more than 21 percent of the residents of Boston in 1985 were in "poverty status".

Moreover, Boston is a city of renters. More than 70 percent of all Boston households rent rather than own their homes. This distinguishes Boston not only from surrounding suburbs, but also from many cities across the country. In 1980, almost 40 percent of Boston's renters were paying rent in excess of 30 percent of their income.

Furthermore, Boston's current housing stock is in trouble. Not including public housing, approximately 900 buildings containing 3000 dwelling units are vacant and boarded. This represents 2 percent of the city's total stock, a higher percentage than in most other cities, including New York, Cleveland, Buffalo, and Newark.

Q. Where will the housing linkage funds be spent?

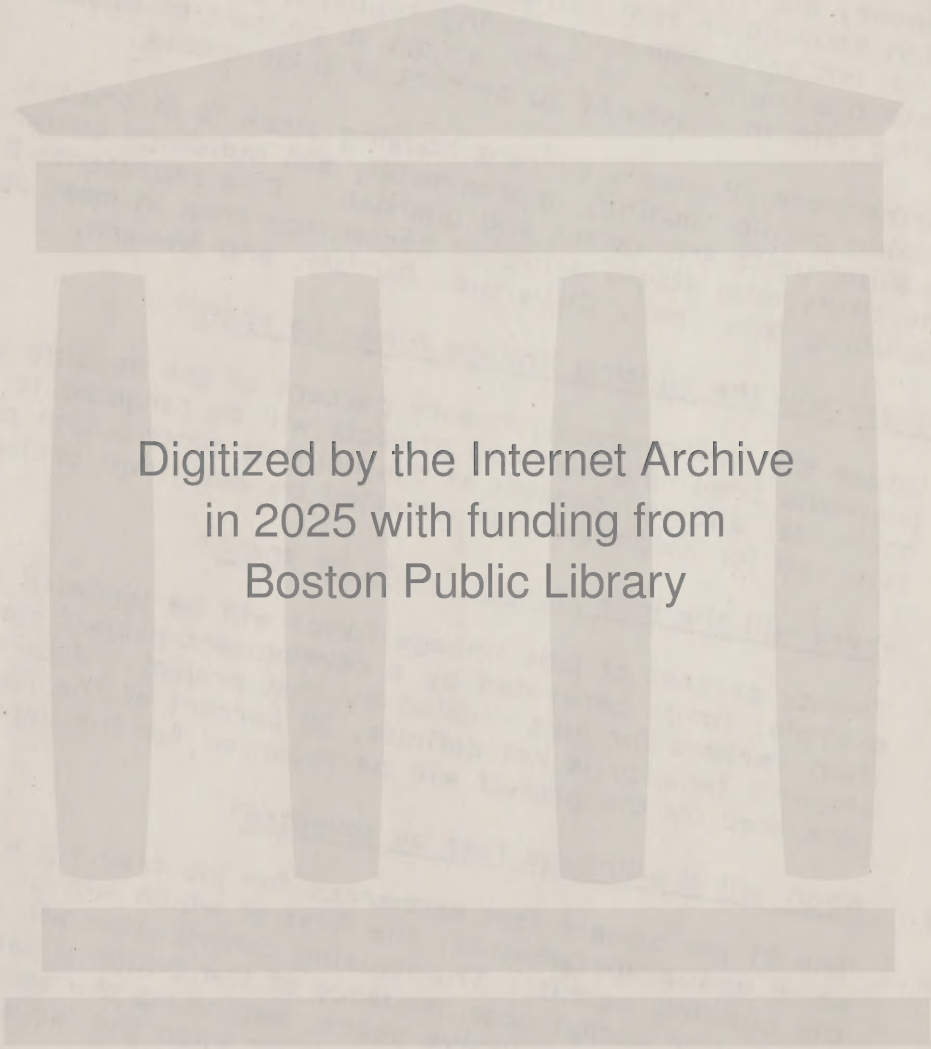
A. Under the new proposal, twenty percent of the housing contribution payments from neighborhood projects will be targeted to impacted neighborhoods; and ten percent of the housing contribution payments will be reserved for neighborhoods impacted by downtown projects.

Q. Where will the jobs linkage funds be spent?

A. Twenty percent of jobs linkage funds will be targeted also. For example, funds generated by a development project may be spent to train workers for jobs created by that project. Alternately, where a project's tenancy is not definite, 20 percent of the jobs linkage payments generated by the project will be reserved for the impacted area.

Q. When will the linkage fees be collected?

A. The $1 per square foot earmarked for job training will be made in two equal annual installments, the first of which will be due upon issuance of the building permit. The housing contribution will be collected over a seven year period upon issuance of the building permit for downtown projects; and over twelve years, beginning the sooner of two years after the issuance of a building permit or upon the issuance of a certificate of occupancy for neighborhood projects.



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Q. The additional $1 per square foot will be used to fund job training programs. Why?

A. Downtown office development and the need for service sector jobs have risen dramatically in Boston over the last ten years. While the city's extraordinary development boom has generated 85,000+ new jobs since 1976, surveys show that Boston residents have not captured a significant share of the higher skilled and higher paying jobs, and consequently, cannot afford adequate housing. At the same time, the city's traditional manufacturing employment base has been eroded. Unless we provide Bostonians with the education and job training necessary to compete for higher skilled positions, Boston residents will not share in the prosperity generated by our economic success. Both the number and proportion of Boston jobs held by Boston residents has fallen sharply over the last three decades. In 1950, Boston residents held 282,080 or 54 percent of Boston jobs; in 1970 that number fell to 203,233 or 37 percent. In 1985, only 181,500 or 31 percent of Boston jobs were held by Boston residents. Bostonians are losing Boston jobs to suburban counterparts because residents lack the education and skills to compete for higher paying positions.

Q. Why is job training so important?

A. In order to significantly reduce the income gap between Bostonians and their metropolitan neighbors, economic development throughout the city must be linked with jobs. A comprehensive education and job training system is needed to help Boston residents gain a larger share of the job opportunities generated by the new service economy. Boston's business and private sector employers should be programmatically and financially involved in this effort to increase the percentage of Boston jobs held by Boston residents.

Q. What happens after this public hearing?

A. The Zoning Commission will vote either to adopt or not to adopt Articles 26A and/or 26B. If adopted by the Zoning Commission, the new regulations must than be signed by Mayor Flynn to become part of the Zoning Code.

Q. Will the new regulations affect how the BRA processes DIP (Development Impact Plan Projects) or linkage projects?

A. No. The BRA will continue to process applications in the same manner.

Q. Has any linkage money been collected by the city?

A. To date, approximately 35 million dollars have been earmarked through agreements with developers. The first payments are due April, 1987.

Q. Do other cities have linkage programs?

A. Yes. San Francisco, Seattle, Princeton and Santa Monica all have a linkage program to raise additional funds for housing. San Francisco's programs also requires payments for child care and transit improvements. Boston is the first city in the country to incorporate a fee for job training into its zoning regulations.